

Message

From: Bill Bettenberg [BBettenberg@homerlaw.com]
Sent: 7/23/2014 9:15:00 PM
To: Hughes, Adam (IHS/PHX) [Adam.Hughes@ihs.gov]
CC: Lorenz, Robert (IHS/PHX) [Robert.Lorenz@ihs.gov]

Adam – The quotation below is from the comments on the Strategic Plan.

"What we recommend is that these planning costs not be referenced in the Financial Plan (Section 14), but that the Section focus on the project costs that will need to be financed going forward. We note, for instance, that USDA regulations provide that "Facilities previously installed will not be considered in determining the development costs." Thus, the focus should be on the HAMP capital estimate of \$16,914,000 as reflected in the HAMP Preliminary Engineering Report (PER), which should be described as the "Capital Cost Estimate" rather than the "Capital Cost Balance" in Table 14.1."

The USDA regulations provide a strong basis for excluding sunk costs in the HAMP estimate. They specifically say that "Facilities previously installed will not be considered in determining the development costs." 7 CFR 1780.10(c). This is ample justification for not including cost data in the PER and Strategic Plan on costs to date as of the date of the application. If additional construction work can be completed, that would lower the project cost estimate we will be using for the USDA application.

Bill

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